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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000527

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DEPT FOR EAP/CM, INR/B AND INR/EAP
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E.O. 12958: DECL: MR, X1
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SUBJECT: BEIDAIHE CONCLUDES, JIANG ON THE ROPES

REF: SHANGHAI 508

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CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Embassy,
Beijing, Department of State.
REASON: 1.4 (b), (d)

11. (C) Summary: In another of our ongoing discussions about the upcoming Party Congress, a long-time Consulate contact said that the Work Conference at Beidaihe recently concluded and a new Poliburo Standing Committee (PBSC) line-up had all but been finalized. Only President Hu Jintao and Premier Wen Jiabao of the current lineup would remain while the PBSC would shrink back down to the pre-16th Party Congress size of seven members. Like Reftel's source, this latest contact also said that former President Jiang Zemin had come under criticism at the conference by rival Qiao Shi for his continued interference in leadership issues, particularly personnel. According to a separate contact, Jiang may also be feeling additional pressure due to the mid-July arrest of late-Vice Premier Huang Ju's personal secretary, who could provide incriminating testimony against

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Jiang's son, linking him to the Shanghai pension scandal and other corruption scandals. Comment: This source's comment that PBSC membership has been resolved is at odds with what others are telling us. End summary and comment.

Beidaihe Produces Results; Jiang Gets Reprimanded

12. (C) During discussion at a reception on August 17, Tongji University Professor Frank Peng (strictly protect) said he had heard that the Beidaihe leadership meetings had ended and that things were basically arranged regarding the next PBSC (Reftel). Peng's contacts in Beijing told him that the PBSC would shrink back down to seven members and that of the current lineup, only Hu and Wen would remain. Newcomers to be added were Liaoning Party Secretary Li Keqiang, Jiangsu Party Secretary Li Yuanchao, Guangdong Party Secretary Zhang Dejiang, and Shanghai Party Secretary Xi Jinping. Peng said he had been surprised to learn

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of Xi's pending appointment, given his relative lack of

seniority (he is not yet even a Politburo member).

¶3. (C) The one person who had not yet been decided upon was Public Security Minister and Politburo member Zhou Yongkang. Peng said there was still considerable resistance to his nomination since it had been made by Jiang. Indeed, according to Peng, Jiang had recently been castigated at the Beidaihe conclave by long-time opponent Qiao Shi for his continued meddling in the affairs of the current leadership (See Reftel for a similar account by a separate contact). In particular, Qiao had been upset that Jiang had once again tried to arrange the lineup of PBSC and the Politburo, stacking it with his supporters. Although he did not offer specifics, Peng said Jiang had been severely censured.

Jiang Under Fire: A Secretary Squawks, Han Suspect, Chen's Son Jailed

¶4. (C) During a separate discussion at the same reception, Weyerhaeuser China General Manager Zhang Renren (strictly protect) said he had heard that the recent arrest of late-Vice Premier Huang Ju's personal secretary Wang Weigong was figuring heavily into the current leadership struggle. Zhang had heard from his contacts that Wang had already confessed to accepting bribes worth 30 million RMB and having received over 25 different properties. (Note: The arrest was reported by the Chinese-language magazine Caijing on August 2. The story can be found at: <http://www.caijing.com.cn/newcn/home/headline/2007-08-02/25917.shtml>).

¶5. (C) Zhang noted that Wang's crimes were more than severe enough to warrant the death penalty under Chinese law. In an effort to seek leniency, Wang was now cooperating with Central Discipline Inspection Commission (CDIC) officials; telling them everything he knew about every Shanghai official involved in corruption. This had Jiang worried, in large measure because Wang had personal detailed knowledge about the ties of his son, Jiang Mianheng, to the pension scandal and other incidents of corruption. Zhang noted that during the week of August 5 his friend had been on a flight from Beijing with 30 CDIC investigators on their way to Shanghai to investigate

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unspecified cases.

¶6. (C) During an August 15 discussion with the CG, Vice Chairman of New World Development (a major Hong Kong real estate developer) and member of the Shanghai Municipal Chinese People's Political Consultative Conference Executive Committee William Doo (strictly protect) said that Shanghai Mayor Han Zheng, another of Jiang's proteges, had recently come under investigation.

¶7. (C) Another blow to Jiang's network came recently with the alleged arrest of the son of Jiang ally and former Shanghai Party Secretary and Politburo member Chen Liangyu. According to Doo, Chen's son had been maintaining a mistress in Shanghai who was distressed by his departure for the United States. The mistress had managed to convince the son to meet her in Malaysia. However, Chinese authorities became aware of the plan and when Chen's son arrived in Malaysia, he was quickly detained.

Comment: Making Sense of Beidaihe

¶8. (C) This particular take on the Beidaihe Work Conference contradicts much of the previous readout provided in Reftel. According to Peng, the PBSC line-up was all but complete, whereas our earlier source (Reftel) reported that very few decisions had been made. Although Peng is connected to many people who are "in the know," in our view, the detail of information and subsourcing provided in Reftel suggests that contact might be closer to the event than Peng. The account

reaching Peng may reflect a party leadership effort to project a face of unity, even if the reality is otherwise. In particular, we are skeptical that so many new faces would be catapulted onto the PBSC. Thus, we maintain our caveat that the situation will probably remain fluid up until the Party Congress announces the new line up. We note that there is one common thread in both reports--that Li Keqiang would receive a PBSC slot. End comment.
JARRETT